

REVERSE AUCTION PROGRAM
Uniform Physical Condition Standards (UPCS) Inspection Services
BUSINESS RULES
Effective 5/21/2004

This document identifies the Business Rules for those contractors interested in participating in the U.S. Department of Housing and Urban Development (HUD) Office of Public and Indian Housing (PIH) Real Estate Assessment Center (REAC) Reverse Auction Program. These rules consist of prerequisites, requirements, and policies that are subject to change. Qualified Reverse Auction Program contractors are required to participate in training courses, access the auction website to bid on posted inspections, schedule inspections as awarded by PIH-REAC, perform quality inspections in accordance with the UPCS protocol, and comply with Inspector Administration standards of conduct.

The auction bid price shall include all costs associated with the performance of the inspection. Reverse Auction contractors will not be provided additional compensation for participation in the training and bidding process, and scheduling and completion of inspections. Contractors shall refer to the Reverse Auction Program Purchase Order Terms and Conditions for specific payment terms.

Note: Participation in the Reverse Auction Program is limited to small businesses that meet the small business size standard for the North American Industry Classification System (NAICS) code 541350, which is \$5 million. Reverse Auction Program participants, whether a firm or an individual, are referred to herein as contractors.

1.0 Reverse Auction Program Prerequisites

In order to participate in the Reverse Auction Program and access the auction website, contractors must meet the following requirements:

- Be certified in the UPCS inspection protocol;
- Maintain a minimum of \$500,000 general liability insurance; and
- Maintain status as a Level 2, online service MasterCard vendor, and provide proof to PIH-REAC.

1.1 Credit Card Vendor

Each contractor must establish and maintain a vendor account with a MasterCard credit card company in order to receive payment for the services provided. HUD will *not* pay the transaction or activation fees associated with establishing this vendor account or any credit card fees. If the contractor does not already have a vendor account, the contractor shall establish a vendor account with a merchant processor that provides the ability to electronically process MasterCard Purchasing Card transactions.

The contractor and merchant processor must have the ability to enter and pass **Level 2 data (POS/Customer Code)** to the issuing bank. The merchant processor terminal must be

designated with a **Merchant Category Code (MCC) of 9399-Government Services** in order to permit payments to be authorized and settled. PIH-REAC requires proof of this relationship before a contractor may participate in the Reverse Auction Program. If the contractor does not remain a MasterCard vendor, the contractor *cannot* receive compensation for inspection work.

PIH-REAC will provide each contractor with an authorization number, necessary for payment. Payment for inspections performed by the contractor will be deposited directly to the contractor's designated bank account.

2.0 Reverse Auction Program Requirements

Contractors who meet the prerequisites outlined in Section 1.0 must maintain active UPCS inspector certification, comply with Inspector Administration business rules, provide current contact information, and maintain the necessary hardware and software requirements to participate in auction events.

2.1 Active Certification

In order to maintain access to the auction website, Inspectors must successfully perform a UPCS inspection at least once in a 180 consecutive calendar day period. A UPCS inspection is considered successful only after the inspection results have been uploaded by the assigned and accepted by PIH-REAC. Inspector Notice No. 2002-01, Maintaining Active Certification, provides further information regarding the requirements to maintain active certification.

2.2 Inspector Administration

Inspector Notice No. 2002-02, Inspector Administration Business Rules, outlines the administrative action that may be taken if a contractor's performance is found to be deficient. Inspector Administration also investigates trends in contractor behavior, such as frequent inspection cancellations. Certain violations of the UPCS inspection protocol may exempt the contractor from future inspection services. These violations include:

- Purposeful violations and/or omissions of the inspection protocol;
- Fraud;
- Sexual or other harassment;
- Theft; and
- Violent acts.

3.0 Contractor Training

Reverse Auction contractors must participate in training activities prior to commencement of the auction, to include an online session in the use of the auction website. HUD approximates that the conference call, course(s), and/or mock auction should take each contractor a maximum of four hours to complete.

4.0 Reverse Auction Activities

PIH-REAC plans to conduct auctions at least once every quarter, and as frequently as twice a month. The Reverse Auction Program allows PIH-REAC to post inspections to a website, and contractors to bid on desirable properties.

4.1 Program Announcement

Reverse Auction contractors will receive email notification of each upcoming auction event, to include the:

- Total number of properties in the auction event;
- Amount of time the auction will remain open for bidding; and
- Period during which the inspections must be scheduled.

4.2 Website Access and Help Desk Assistance

The auction website vendor will provide each Reverse Auction contractor with login credentials to access the secure auction website. If the contractor has any problems with the supplied user ID and password, he/she may contact the website vendor's help desk. The help desk will be staffed Monday through Friday, from 9:00 a.m. to ~~9:00 p.m.~~ (8:30 p.m. - Revised 6/21/2004) Eastern Time. Contractors will be furnished with the points of contact, and the corresponding email addresses and telephone numbers, for the help desk and other Reverse Auction Program assistants.

4.3 Property Search

When possible, the properties available for auction will be posted to the website prior to the start of the auction event. Reverse Auction contractors may use this opportunity to identify the properties on which they would like to place bids. The online system will allow each contractor, referred to as a "bidder," to search through the property inspections posted for auction using the following criteria:

- Property ID;
- Property name;
- City;
- State;
- Zip code;
- Scattered site indicator;

- Building and unit counts;
- Estimated inspection duration;
- Required date of performance; and
- Lot auction.

4.4 Lot Auctions

“Lot auction” refers to a group of inspections clustered by PIH-REAC for award to a single bidder. If a bidder elects to bid on an inspection for any property in a lot, the bidder must bid on every property in that lot. If a bidder fails to bid on every property in the lot, the system will not accept the proposed bid. The eligible bidder offering to perform the lot auction for the lowest total price will be awarded the inspection work.

Each inspection within the lot remains distinct. The winning bidder will schedule and conduct each inspection separately, and PIH-REAC will pay the contractor directly and separately for each accepted inspection. Failure to perform all work assigned may exempt the contractor from future inspection services.

4.5 Bid Considerations

Contractors shall account for all costs and risks when determining the bid price. For example, the bidder should take into consideration the expected level of effort required to perform the inspection, as well as any related expenses, such as travel. Contractors should consider the possibility of uninspectable properties and unsuccessful inspections, and adjust their prices accordingly. For example, in the last year, 143 of 14,031 properties were verified as unsuccessful inspections.

Contractors should also consider that the inspection fieldwork must be completed within the timeframe established by PIH-REAC, and according to the schedule agreed upon with the property representative. All aspects of the UPCS inspection protocol are expected to be followed, including: correctly documenting the property profile; accomplishing a complete verification of the property prior to generating the sample; and observing all items and recording all deficiencies correctly. Strict adherence to the protocol is necessary, as PIH-REAC is expecting high quality inspections as a result of the Reverse Auction Program.

4.6 Bidding Guidelines

After choosing the property inspections the contractor desires to perform, the contractor is required to submit a separate bid for each property inspection, including lot auction inspections. The website will display a maximum bid and a minimum bid for each inspection. Contractors may place bids in five-dollar decrements starting at the maximum bid. If an auction reaches its minimum bid, contractors may continue to place bids, in case the original low bidder becomes ineligible (as described in Section 4.7). Bidders may not withdraw a bid once it has been accepted by the system.

4.7 Inspection Limitation

Reverse Auction contractors are limited in the amount of inspections they may be awarded per auction. This limitation is imposed to ensure sufficient time is available for the contractor to perform each awarded inspection. When the maximum number of estimated inspection days is reached upon award, all other pending bids submitted by that bidder will be ignored by the system. The inspections are awarded in the order they appear online. Therefore, the lowest bidder may not receive all inspection work for which he/she is the lowest bidder.

4.8 Proxy Bidding

The Reverse Auction Program auction website will include a proxy bid utility, for use by the contractors at their discretion. The proxy bid utility enables a contractor to enter successive bids for property inspections, even when not logged on to the auction website. Utilizing the proxy capability, the contractor may choose an initial bid for a property and a floor price that the contractor is not willing to bid below. *The proxy functionality will not allow a floor price that is lower than the minimum bid set by PIH-REAC.* Once an initial bid is entered, the proxy bid utility will place successive bids at the next available bid price each time another bidder enters a lower bid, until it reaches the contractor's set floor price. Thus, Reverse Auction contractors do not need to be at their computer during the auction period/event to be competitive.

For example, suppose an auction starts at an opening price of \$500. Bidder A enters a proxy bid minimum of \$400. Bidder B subsequently enters a bid of \$450. The proxy automatically enters a lower bid at the next decrement for a bid of \$445 on behalf of Bidder A. Bidder B then enters a bid of \$400. The proxy will not enter another bid for Bidder A, since his/her floor price has been reached. However, Bidder A may continue to manually enter lower bids until the auction closes, or set up a lower proxy bid.

4.9 Bid Award

PIH-REAC awards each property inspection individually, or by lot, to the lowest bidder. If the lowest bidder is ineligible to receive the award, PIH-REAC may choose to award the inspection to the next lowest bidder, or re-post the inspection to a future auction event. In the case of tie bids, the award will be made to the first bid recorded as determined by the auction software.

Following PIH-REAC's selection of the successful bidder, award notification will be made electronically. This award notification will include the following information for each inspection awarded:

- Winning bidder's inspection ID;
- Amount of winning bid;
- Estimated inspection days;
- Expected completion date; and

 Purchase order.

Contractors must contact PIH-REAC immediately if information in the award notification is incorrect. Once the award notification is sent, the successful bidder must obtain the property point of contact information from the auction website. This information shall be used to schedule inspections.

5.0 Quality Assurance Reviews

PIH-REAC also performs various Quality Assurance (QA) reviews onsite including, but not limited to, Collaborative Quality Assurance (CQA) reviews and Limited Quality Assurance (LQA) reviews. These QA reviews may be conducted at any time, including during the course of a property inspection, following an inspection, or as a separate analysis. The QA reviewer may or may not identify him/herself to the contractor during the review. HUD's QA reviews will be scheduled based on the contractor's schedule.

6.0 Purchase Order and Payment

HUD will make all purchases under the Reverse Auction Program using the Government Commercial Purchase Card (its credit card). HUD will not issue any paper purchase orders. Contractors shall refer to the Reverse Auction Program Purchase Order Terms and Conditions for specific payment terms. The terms and conditions governing the purchase order are posted to the PIH-REAC PASS website, and will be available via the auction website.

7.0 Attachments

The following pages include two attachments, as referenced:

- Attachment 1 – POA/ED Inspection Confirmation Text; and
- Attachment 2 – Notification of Exigent and Fire Safety Hazards Observed Form.

Required Email Text for Inspection Confirmation

Subject Line: Physical Inspection of [*insert property name and property ID*]

Name of Property Owner

Property Name

Property Address

City, State

Inspection #, Property ID

Dear [*name of property owner*]:

This confirms that the referenced property is scheduled for inspection beginning at [*time*] on [*date*], through [*time*] on [*date*]. Please note that the inspection will not include weekends or [*insert any Federal holiday falling during the inspection period*]. If there is any delay, I will immediately contact you by telephone and we will set new dates, if necessary.

Please provide the required written notice of the inspection to your residents. It is not necessary for the tenants of units selected for inspection to be present during this inspection.

Please note that your representative must accompany me at all times while he/she is on site. Your representative should be prepared to provide access to all units identified in the inspection (when the tenant is not present or the unit is vacant) and all other areas of the property (e.g., maintenance facilities, offices, etc.). I will inform your representative of the units that have been selected for inspection on the day of the inspection, which is the result of a sample drawn on-site.

The inspection will include the entire property: project grounds, common areas, office, maintenance work areas, laundry rooms, community room, etc., and a sample of buildings and units selected at random. On the day of the inspection I will verify data provided on the property profile, as per our previous discussion. Please have available the following information to assist with the verification:

- Total number of buildings and number of units within each building;
- The unique building identifier (i.e., the address or some other identifier that will enable the identification of each building for future inspections);
- All applicable certifications, including inspections of elevators, sprinkler systems, fire alarms, and boilers; lead-based paint testing certification and HUD's disclosure form (Disclosure of Information on Lead-Based Paint and/or Lead-Based Paint Hazards) for housing built prior to 1978 (including elderly properties) are also required;
- Current rent-roll (used for reference only, rent amounts are not necessary);
- Site-map or plot plan showing property layout and building locations, if available;
- Total square footage of the Parking Lots/Driveways/Roads and Walkways/Steps; if you do not provide these area measurements at the time of the inspection, I will provide an estimate of the square footages to HUD;

- Current occupancy percentage rate; and
- Copy of written notification to the residents of the inspection.

Please be advised that the terms of my contract with HUD do not permit me to discuss with you or your representative, or provide advice on, any deficiencies observed and recorded during the inspection. Both HUD and I appreciate that you may have different views regarding the deficiency definitions, but I must classify deficiencies in accordance with HUD's established inspection protocol and my best judgment. Differences of opinion regarding the facts of the inspection may be discussed with HUD staff at a later date.

HUD's Offices of Housing and Public Housing require that all exigent health and safety hazards be mitigated immediately. An exigent hazard is one that poses an immediate threat to life, health or property. During the inspection, the inspector will record all health and safety hazards. Before leaving the property, I will provide your representative with a written list of all such health and safety hazards and ask your representative to sign the form to acknowledge receipt before. Such signature only acknowledges receipt of the form and does not indicate the representative's or your concurrence with its contents. A HUD representative will contact you later to assure that such items have been addressed in a timely manner.

Be advised that HUD may conduct a Quality Assurance (QA) inspection to verify the results of this inspection. That QA inspection may occur during, or shortly after this inspection.

Please reply to this email message to confirm receipt. If you have additional questions, please contact me by email or at [*insert phone number*].

I wish to thank you and your staff in advance for your help with this inspection.

Sincerely,
Contractor Name – PIH-REAC Inspector #

cc: Dudley Ives, PIH-REAC Physical Inspection Program

NOTIFICATION OF EXIGENT AND FIRE SAFETY HAZARDS OBSERVED

Property ID #: _____ Inspection ID # _____ Inspection Date: _____
 Property name: _____ PHA Name _____ Property Phone: _____
 Property Address: _____ PHA ID Number _____ Agent Phone: _____
 Property City: _____ State: _____ Zip: _____

PART 1 **EXIGENT HEALTH AND SAFETY HAZARDS**

Air Quality A-- Propane/Natural Gas/Methane Gas Detected Electrical Hazards B-- Exposed Wires/Open Panels C-- Water Leaks On or Near Electrical Equipment	Emergency Equipment/Fire Exits/Fire Escapes D-- Emergency/Fire Exits/Blocked/Unusable Fire Escapes E-- Blocked Egress/Ladders Gas/Oil Hot Water Heater/Gas/Oil HVAC F-- Carbon Monoxide Hazard - Gas/Oil Fired Unit -Missing/Misaligned Chimney
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** The Offices of Housing and Public Housing require all exigent hazards be mitigated immediately. The office of Housing requires a written report to be filed with the local office within 72 hours of the date of the inspection. All public housing agencies are required to document activities in this area under both PHMAP and PHAS requirements for later evaluation by HUD.

During this inspection, the following items were observed and noted as Exigent Health and Safety hazards that require immediate attention. Use additional sheets if needed.

Item Number	Site or Bldg. Location	DU or CA Location	CHECK DEFECT TYPE(s) (See list below)						COMMENT(s)	
			A	B	C	D	E	F		Certificate***
1										
2										
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5										

*** Reserved for HUD Use.

PART 2 **FIRE SAFETY HAZARD**

Emergency Equipment/Fire Exits/Fire Escapes G-- Window Security Bars Prevent Egress H-- Fire Extinguishers Expired	Smoke Detectors I -- Missing/Inoperative
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During this inspection the following items were observed and noted as Fire Safety hazards which require immediate attention:

Item Number	Site or Bldg. Location	DU or CA Location	CHECK DEFECT TYPE(s) (See list below)			COMMENT(s)	
			G	H	I		Certificate***
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*** Reserved for HUD Use.

Other Health and Safety Concerns Not Defined In Above Matrix.

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NAME OF OWNER/AGENT'S REPRESENTATIVE (Please print legibly)

INSPECTOR NAME: (Print)

SIGNATURE OF OWNER/AGENT'S REPRESENTATIVE Date _____

INSPECTOR ID NUMBER

A copy of this notification will be provided to the appropriate local health/safety/fire code enforcement entity.
 Neither the inspector, the inspector's employer nor the Department of Housing and Urban Development assume any liability whatsoever expressed or implied that the above noted health and safety hazards constitute all of the health and safety deficiencies that may be present on the property. Any and all liability for the health and safety hazards noted above, as well as any health and safety hazards that may exist on the property but were not observed by the inspector, are the full and absolute responsibility of the property owner and not the inspector, the inspector's employer nor the Department of Housing and Urban Development

NOTIFICATION OF EXIGENT AND FIRE SAFETY HAZARDS OBSERVED (continued)

Property ID #: _____ Inspection ID # _____ Inspection Date: _____
Inspector ID # _____

PART 1

EXIGENT HEALTH AND SAFETY HAZARDS

Air Quality A-- Propane/Natural Gas/Methane Gas Detected Electrical Hazards B-- Exposed Wires/Open Panels C-- Water Leaks On or Near Electrical Equipment	Emergency Equipment/Fire Exits/Fire Escapes D-- Emergency/Fire Exits/Blocked/Unusable Fire Escapes E-- Blocked Egress/Ladders Gas/Oil Hot Water Heater/Gas/Oil HVAC F-- Carbon Monoxide Hazard - Gas/Oil Fired Unit -Missing/Misaligned Chimney
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*** Reserved for HUD Use.

NOTIFICATION OF EXIGENT AND FIRE SAFETY HAZARDS OBSERVED (continued)

Property ID #: _____ Inspection ID # _____ Inspection Date: _____
Inspector ID # _____

PART 2
FIRE SAFETY HAZARD

Emergency Equipment/Fire Exits/Fire Escapes G-- Window Security Bars Prevent Egress H-- Fire Extinguishers Expired	Smoke Detectors I -- Missing/Inoperative
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During this inspection the following items were observed and noted as Fire Safety hazards which require immediate attention:

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